



Defense Contract Management Command



UNIT COST MANAGEMENT & ALTERNATIVE FINANCING

Update

Structuring the best solution

PLAS/UCM Conference

11 September 97

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Agenda

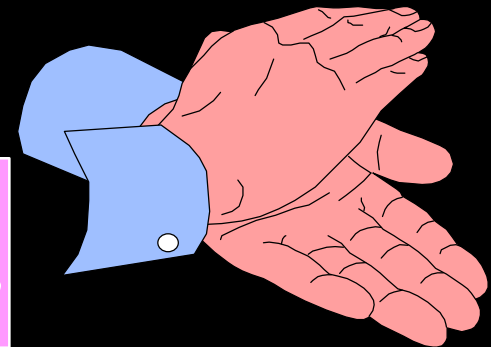
- Summer 1997 Pre-Test
- UCM Team Update
- Functional Review Results
- FY 98 UCM Test Plan
- Commanders Conference 3 UCM Challenges
- Making it work



“Pre-Test” Overview

- 11 field sites selected to test reporting procedures
- Minor connectivity/hardware problems and PLAS reporting inconsistencies surfaced during early test phase
- Test data, qualitative and quantitative, collected each week

*Special thanks to the 11 test sites
for their patience and helpful insights!*





Status of the Pre-Test

- **Some select comments:**
 - **“PLAS data indicates reporting requirements not a significant burden”**
 - **“difficult for people in a support role eg Pricing to identify kind of contract.”**
 - **“requires some additional time for supervisors to review” “Like anything new, this will become routine over time”**
 - **“We found that many contracts in MOCAS have wrong Kind Codes”**
 - **“Accuracy” (of KIND data) “of about 80-90% is achievable”**
 - **“Spare parts may be on a Sys Acq contract. Large systems may be on Supply contracts”**
 - **“Need to educate workforce on how to better use available tools”**
 - **“PLAS screen only allows 10 entries/day. When working on 20-30 contracts doing various tasks, there are not enough lines”**

No Showstoppers

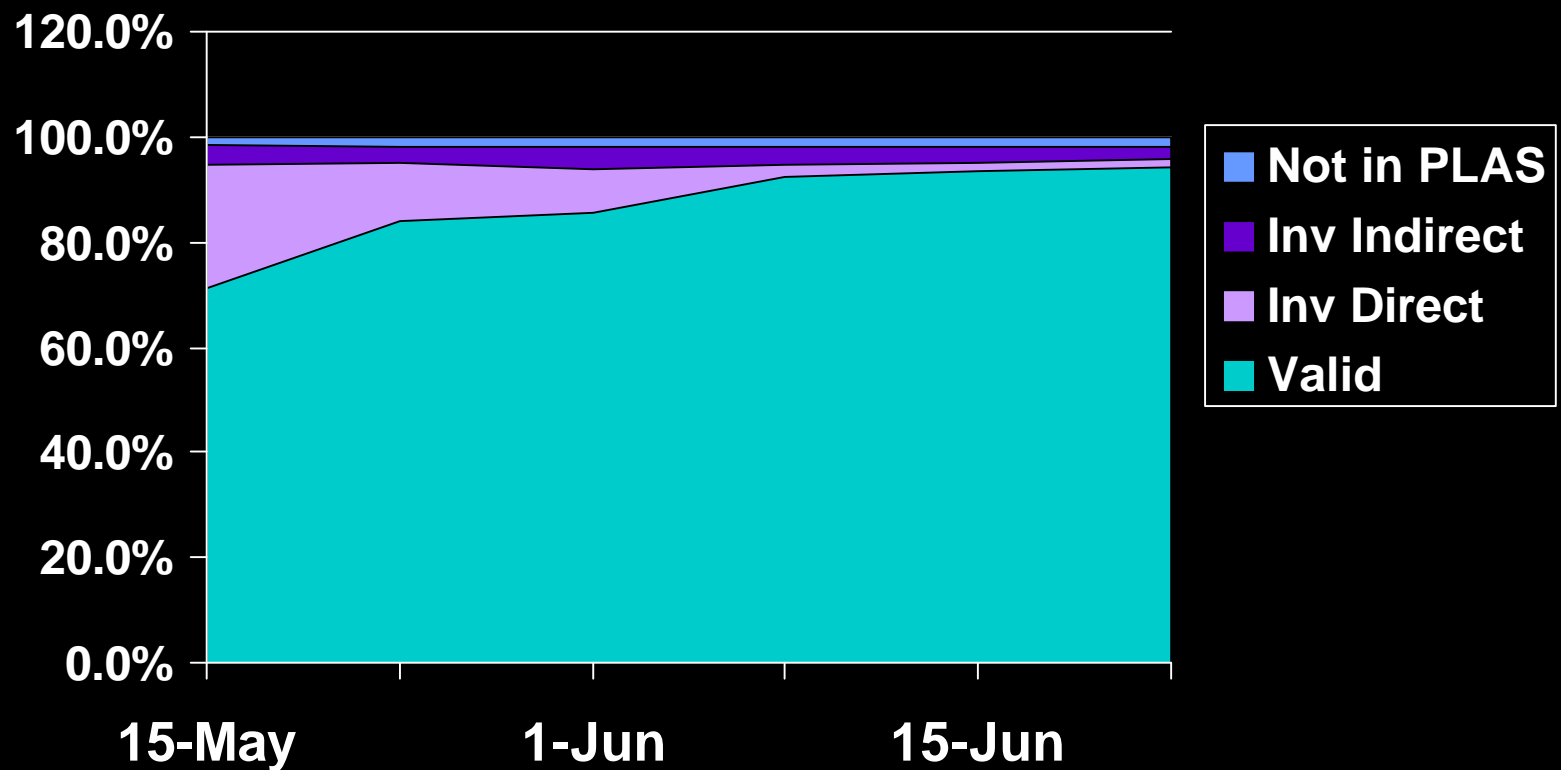


Status of the Pre-Test (cont)

- First two weeks were to work out system glitches and perform training.
- Goals of the test are to assess:
 - *if we can realistically report by contract kind*
 - *if data collected makes sense*
 - *if process profiles can be developed for each kind of contract*
 - *if it's reasonable to proceed with a Command-wide test in October*



Pre-Test Reporting Accuracy - Vastly Improving





Early Impressions of Pre-Test Results

- Reporting by contract kind is reasonable
- Need even more work on standardizing reporting in PLAS. Must continually reemphasize the importance of reporting by core business process vs function or activity. Pending PLAS changes may help.
- Command-wide test for October by contract kind is workable
- *Solid output measures are tougher to get a handle on than costs* →



Identifying valid output measures is the next big hurdle

- Have been collecting and analyzing candidate output measures
- Traditional measures (# contracts, Face Value, ULO, UDB, disb) don't appear workable
- Best correlations, both statistically and logically, are “workload flow” measures (UDB/period)
- *The underlying concept is to compare the business process costs in a given time period with the volume of business moving through an office*
- Collecting data in this fashion is much more difficult than it sounds



Other UCM Team Initiatives

- UCM training modules for different organizational levels
- Communications efforts (web site, email address for questions, videos, Commanders Conference briefings, unit cost administrators)
- Changes in PLAS reporting
 - Standardization, core process reporting
- Non-Labor cost collection
- ✦ “Lessons Learned” from pre-test (in your info package)



Functional Review: *Approach*

- Use OSD CAS PAT Report as baseline
- Identify existing additional data sources
- Query field commanders and staffs
- Quantify Resource Impacts



Functional Review:

A work in progress

- DCMC has undergone many budgetary and functional reviews in recent years
 - OSD CAS PAT, PA&E, OSD Comptroller, Congressional Marks, POM 98 Issue group, Defense Agency Review, QDR
- Reengineering, reevaluating, and eliminating functions has enabled DCMC to downsize from 26K to under 15K employees since inception
- Data sources indicate much of the low hanging fruit already picked



Functional Review:

Sources of Data

- **OSD CAS PAT**
- **Activity Based Costing Study**
- **Internal Operations Assessments of field activities**
- **CAO Commander Surveys**
- **Business Case Analyses**
- **Customer Feedback**
 - **Trailer Cards, CLR Interviews**



Functional Review:

Findings

- Almost all functions reviewed had some value to some customer
- Few activities could be eliminated but some could be reengineered or scaled back
- Many items identified by commanders were very low frequency instead of low value



Findings (cont)

- **Potential Core CAS functions for revision/elimination**
 - **CPSR (~56 FTEs)**
 - **Consent to Subcontract (~13 FTEs)**
 - **DPAS**
 - **Travel by contractor personnel**
 - **Cost Monitoring (~29 FTEs)**
- **Areas meriting further analysis**
 - **Subcontract Delegations**
 - **Low dollar value Source Inspection at distributors**



FY 98 UCM Test Plan

- **Sep 97 - Field Activity Training**
- **Oct 97 - DCMC-wide unit cost data collection**
- **Oct-Dec 97**
 - **Evaluate output measures**
 - **Develop report structures**
 - **Executive level training module**
- **Jan-Apr 98**
 - **Test/eval of Command-wide UCM data - redirect unit cost pools if necessary**
 - **Develop output forecasting tools**



FY 98 UCM Test Plan (*cont.*)



- **May-Jun 98**
 - Fully integrate UCM into DCMC PPBS/IMS
 - Develop FY 99/00 unit cost budget
 - Evaluate/study alternative financing options
 - Executive level training module
- **Jul-Sep 98**
 - Develop test plan for alternative financing if applicable
 - Complete FY 98 test lessons learned

“So, as a Commander, how should I initially focus my efforts and support?”



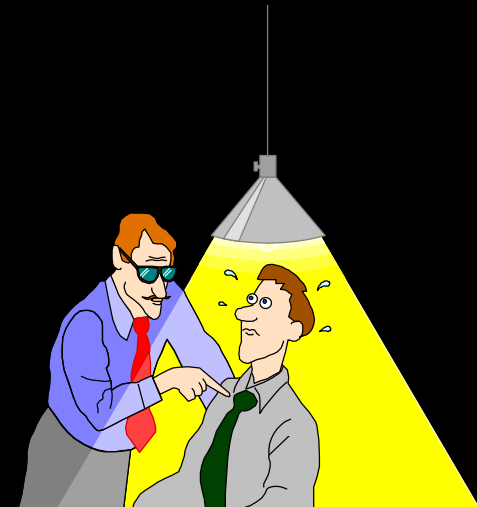


Accurate PLAS reporting is essential
PLAS Reporting Inconsistencies



- Reporting by *activity* and not *core business process*
 - Meetings
 - Data Collection
 - Legal Support
- Reporting by job series and not business process
- Long term homecoding

Idea Number 1





Review Contract Kind Data in MOCAS for Reasonableness



- **Some potential problems**
 - MOCAS kind code doesn't match contract kind code
 - MOCAS kind code doesn't match contract kind code but matches our definitions
 - MOCAS matches the contract but doesn't match our definitions
- **Correct obvious problems before the test if possible**
- **Make sure associates avoid arbitrary decisions to disregard the contract kind code of record and charge time to what they think the kind should be**

Idea Number 2



**Take some time to review the
Data Credibility/Lessons Learned
guide. Take advantage of the
insights of your fellow
Commanders!**

Idea Number 3



What's Next for the UCM Team

- Prepare for 1 October test start up
- Train the Trainer session
- Analyze, strategize, and finalize unit cost pools and output measures
- Development of alternative financing measures of merit to evaluate options